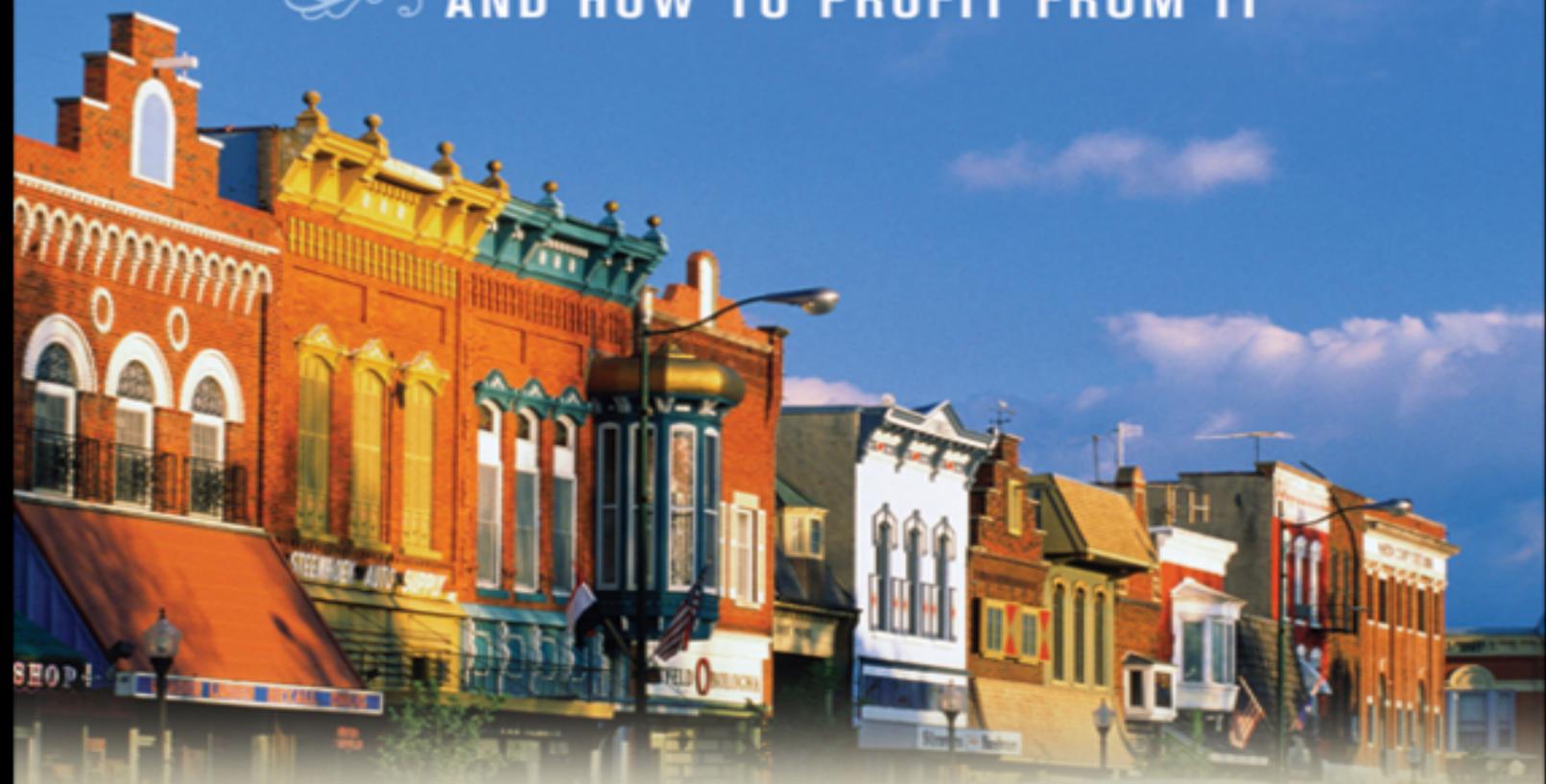




# Locavesting

THE  
REVOLUTION  
IN LOCAL INVESTING

*~* AND HOW TO PROFIT FROM IT



*~* **Amy Cortese** *~*

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Amy Cortese



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*For my Mother*

# ***Preface***

## ***Starting Anew***

It was early September 2009, the first anniversary of the collapse of Lehman Brothers, which precipitated the worst economic downturn since the Great Depression. Fifteen million Americans were out of work and the economy was still shedding massive numbers of jobs each month. Millions of people owed more on their homes than they were worth and faced foreclosure. All over the country, small businesses—the engines of job creation and innovation—were starved for credit and growth capital.

Yet on Wall Street things were looking up. The S&P 500 was rebounding. After a \$700 billion taxpayer-funded infusion and trillions more in emergency lending and guarantee programs, the nation's biggest banks were doing swimmingly. The top four banks emerged with an even greater share of the pie, counting 60 percent of all bank deposits between them. Goldman Sachs had recently posted the largest quarterly profit in its 140-year history, largely fueled by proprietary trading gains in a volatile market. Bonuses were back to boom levels. Morgan Stanley set aside a whopping 62 percent of its revenue to lavish on employees.

That massive disconnect between Main Street and Wall Street was starkly clear as I flew to Santa Fe to attend the inaugural national gathering of Slow Money, a Slow Food-meets-finance organization whose goal is to “bring money back down to earth.” Hundreds of social investors, entrepreneurs, farmers, and citizens had assembled to see if we couldn't somehow begin to create new models for investing in local, small-scale food and agriculture enterprises—the kinds of enterprises that create things of value and help build healthy communities.

The moment was ripe with possibility. People everywhere were hungering for solutions. Although I didn't find any in Santa Fe, at least not fully formed and ready to go, the air was electric with ideas and energy. Local stock exchanges, new community-based funds, municipal bonds that would finance local food and agriculture—these were just some of the proposals being dreamed up to begin rebuilding our local economies and foodsheds. Slow Money chapters were springing up across the country, from Boston to Boulder.

As a journalist, I had covered many emerging trends that would go on to fundamentally reshape business and society: the rise of the Web, the green business and cleantech pioneers, and the growing shift toward a socially responsible way of doing business. There was something similarly significant afoot. As the country was casting about for solutions to pull us out of our economic morass, maybe the answer was right in our own backyards, in the small businesses that anchor our communities and economy.

*What would the world be like if we invested 50 percent of our assets within 50 miles of where we live?* Woody Tasch, the founder of Slow Money asked.

It was the most interesting question I'd heard in a while.



This book is about alternatives.

Long before the global financial crisis exposed the flaws of our complex, intertwined, profit-at-any-cost system, a profound movement had been building that is centered on building resilient, sustainable, and healthy communities. It can be seen in the surge of “buy local” sentiment, farmers markets, and “locavore” diets.

Today, we are buying local and eating local, but we still aren't investing local. There just hasn't been an easy way for individuals to put money into worthy small businesses in need of capital.

The truth is, our financial markets have evolved to serve big business—when they serve business at all, that is. Of all the trillions of dollars madly flying through the financial markets, less than 1 percent goes to productive use, in other words, to providing capital to companies that will use it to hire, expand, or develop new products. The rest is sucked into the voracious maw of trading and speculation. And that tiny fraction of productive investment goes mainly to companies big enough to issue shares in initial or secondary public stock offerings—an increasingly exclusive club. When small enterprises create three out of every four jobs and generate half of GDP, that is not an efficient allocation of capital.

At the same time, the traditional funding sources for small businesses—savings, friends and family, venture capital, and bank credit and loans—have become mighty scarce since the financial crisis. It's more than a temporary freeze. Long-term trends—such as accelerating consolidation in the banking industry and less risk taking among venture capitalists (VCs)—do not bode well for the nation's small businesses. And decades-old securities regulations make it difficult for average investors to put money into private firms. Indeed, it's easier for most folks to invest in a corporation halfway around the world than in a small business in their own neighborhoods.

But that, I saw, was about to change. Just as “locavores” eat mostly foods that have been raised or grown in a radius of 100 miles or so, some people are now investing the same way. I call them locavestors. The idea is that, by investing in local businesses, rather than faceless conglomerates thousands of miles away, investors can earn profits while supporting their communities.

The more I looked, the more I saw the signs of a grassroots stirring. In Brooklyn, New York, where I live, residents had rallied to support two local bookstores, becoming part

owners in the ventures in addition to being regular customers.

In Clare, Michigan, nine burly cops—the town’s entire police force, actually—banded together to buy a 111-year-old bakery that was on the verge of closing. The renamed Cops & Doughnuts now employs 19 people and has helped revitalize downtown Clare.

In northwest Washington, the Local Investment Opportunity Network, a loose-knit group of residents, has been investing in local enterprises from bike shops to creameries. And in little Hardwick, Vermont, community financing has helped create a vibrant local food scene—and 100 jobs.

Cooperatives—businesses based on a model of democratic ownership that arose out of the dislocations of the Industrial Age—are enjoying a revival in everything from energy to food. In Wisconsin, as an epic clash between unions and a budget-slashing governor played out in the state capital, the state’s rural cooperatives were demonstrating that more harmonious and productive models are possible.

As with everything, the Internet is bringing new power and reach to the idea of local investing, and social networking is broadening the concept of community. Kiva ([www.kiva.org](http://www.kiva.org)) and Kickstarter ([www.kickstarter.com](http://www.kickstarter.com)) have showed how the small donations of many people can have a big impact on the lives of others. Now this peer-to-peer crowdfunding model of aggregating many small sums promises to unlock new opportunities for investing in businesses whose needs are not being met by conventional sources.

Social media is also reviving the direct public offering, or DPO, a little-known method of selling shares directly to the public, without Wall Street underwriters. By cutting out expensive middlemen and lowering costs, these do-it-yourself IPOs put public offerings within reach of smaller companies and allow individual investors to get in on early

stage investment opportunities typically reserved for angel investors and VCs. Ben & Jerry's raised early capital through a DPO.

Meanwhile, communities from Lancaster, Pennsylvania, to the Hawaiian islands are attempting to bring back local stock exchanges, like the ones that thrived in the United States from the 1830s until the mid-20th century, to provide liquidity and spur investment in their regional economies. Compare that to today's public markets, which facilitate speculation over investment and have all but abandoned smaller firms, and this seems like an idea whose time has come again.



Local investing is not a panacea. Small business can be risky, and no one is suggesting that investors sink all of their money into the local farm or flower shop. Nor will local investing ever replace our global financial system. It should be viewed as a complement—and a necessary one. Without strong local economies we cannot have a healthy national economy.

But there is a very compelling case to be made for local investments as an asset class in a diversified portfolio. In a world of sprawling multinational conglomerates and complex securities disconnected from place and reality, there is something very simple and transparent about investing in a local company that you can see and touch and understand. As investing guru Peter Lynch has counseled, it makes sense to invest in what you know.

In addition to financial rewards, local investing can bring a much richer set of returns. In an age of global volatility and peak oil, a strong and varied local business base reduces vulnerability and helps make communities more self-reliant. The spending and profits generated by a locally owned company tend to stay in the area, recirculating in ways that benefit the local economy, rather than being sucked out to a

distant headquarters. “Buy local” campaigns have found that a simple 10 percent shift in purchasing from chains to locally owned merchants can generate many times the amount in economic benefits. What would a similar 10 percent shift in investments yield? Or even 5 percent?

Part One of this book sets the stage for the local investing revolution. Chapter 1 details how, as a society, we are failing our small businesses, through everything from government policies that favor big business to a gross misallocation of capital. Chapter 2 explores how securities regulations have evolved to hamper local investment and how the financial industry has come to dominate our economy to a dangerous degree. Chapter 3 lays out the case for locavesting, and Chapter 4 takes a closer look at the types of companies we are talking about and why they are so vitally important to restoring balance to the economy and society.

The rest of the book is devoted to exploring various models that are emerging to reconnect local investors with local businesses. The first two chapters in Part Two deal with the traditional and most established options for investing for local impact—community banks and community development loan funds. But as you’ll see, even these mainstays of small business funding face uncertain futures.

Chapters 7 through 13 explore a progressively more comprehensive range of solutions, from ad-hoc community-supported and -financed enterprises to crowdfunding to cooperatives to direct public offerings and local stock exchanges. At the end of each chapter, I’ve included information that will help investors who wish to more actively pursue these ideas.



It is still early days for local investing, and if you are looking for get-rich-quick schemes this book is probably not for you. Most of these investment models have kinks that need to be

worked out. Some, such as crowdfunding and local exchanges, must navigate the complex and confusing thicket of federal and state securities regulations. In all cases, a balance must be struck between facilitating the flow of capital to small, community-rooted companies and safeguarding investors from scams and unreasonable risk.

The challenges are truly daunting. But they are challenges that we, as citizens, must rise to if we want to support job growth, broadly shared prosperity, and economic independence. Isn't this the sort of financial innovation we should be encouraging? Rather than synthetic collateralized debt obligations (CDOs) and computerized robo-trading, which serve no social purpose, why not put our brainpower to work creating vehicles that allow people to invest in real companies producing real things that create real jobs?

While we will talk about investing, this book is fundamentally about fixing our broken economic system and restoring a more just and participatory form of capitalism, one that allocates capital to productive, socially beneficial use. It's about creating an alternative to the zero-sum, winner-take-all economy and the race to the bottom it engenders. It's about rebuilding our nest eggs, our communities, and, just perhaps, our country.

Indeed, there was something auspicious about the beginnings of this movement amid the financial turmoil of the last few years. As the plotters of the Slow Money insurrection gathered in Santa Fe, the city was preparing for its annual fiesta, which kicks off with a decades-old tradition known as the burning of Zozobra, or Old Man Gloom, a spectral 50-foot muslin-and-paper puppet that flails and groans. The quirky ritual was started in the 1920s by Santa Fe artist Will Schuster as a way to banish the negative memories of the past year. It attracts thousands of revelers, many of whom bring personal gloomy reminders they would like to see go up in flames. As Zozobra's roars and moans

floated across the clear desert air that September evening, it was as if we were piling the CDOs, credit default swaps, and ill-gotten gains of the subprime debacle onto the pyre. It was time to start anew.

# ***Introduction***

## ***Cereal Milk for the Gods***

Walk by Momofuku Milk Bar in New York's East Village any day or evening, and you're likely to find a small horde. Foodies, hipsters, and students come for a fix of chef David Chang's addictive pork buns and the whimsical confections of his protégé, Christina Tosi, like the crack pie (described simply as "toasted oat crust, gooey butter filling") and the compost cookie (pretzels, potato chips, coffee, oats, and butterscotch and chocolate chips), which manages to satisfy all of your snack food cravings in one chewy, crunchy, salty bite. But the real draw is the soft-serve ice cream, piled in generous, creamy spirals that threaten to topple their little paper cups. Tosi dreams up a constantly changing lineup of out-there flavors, from old-fashioned doughnut to the signature cereal milk, which, as advertised, tastes like a luscious version of the milk left in the bowl after you've finished your cornflakes.

But then, that's exactly the sort of thing helped establish Chang's reputation as the irreverent maestro of the budding Momofuku empire, which has grown from a single noodle bar in 2004 to five unique but equally worshiped temples of dining. Their casual atmosphere belies the meticulous detail that goes into Chang's food and the insistence on the best, locally sourced ingredients. So who do Chang and Tosi entrust for their soft serve? The answer is proudly scrawled on the chalkboard menu: *All dairy is organic and comes from Milk Thistle Farm, Ghent, NY.*

Not bad for a small, upstart dairy run by a farmer who is not yet 30. In fact, providing the house milk at the Milk Bar

is hardly the only honor bestowed upon Milk Thistle Farm by this food-obsessed city. *New York* restaurant critic Adam Platt declared Milk Thistle's whole milk "cereal milk for the Gods," while the magazine's "Best of New York" issue in 2010 gave its yogurt top honors in that category. It's the milk of choice for the Tom & Jerry eggnog-like cocktail at the trendy Pegu Club lounge. One blogger described Milk Thistle as "a milk with decided substance; *philosophy*, even."

What *is* it about this milk that inspires grown people to gush breathlessly and line up at farmers markets to pay \$7 for a half-gallon? The first thing you notice is the old-fashioned returnable glass bottle, printed with a quotation from biodynamic farming guru Rudolph Steiner ("In its essential nature, a farm is a self-contained individuality"). The milk inside is not merely organic; it comes from grass-fed cows. Happy cows. Milk Thistle's herd of 50 mostly Jersey cows graze on pesticide-free pastures year round and come and go into the barn as they please. Their diet, supplemented with hay in the winter months, is free of antibiotics and synthetic hormones. Dante Hesse, Milk Thistle's slight, soul-patched young proprietor, prides himself on knowing each of his "girls" by name. A brown Swiss cow with a bossy streak is named Bronx.

The milk has a high cream content and is gently processed and pasteurized to retain the flavor and nutrients. Momofuku's Tosi says the flavor varies subtly from week to week and season to season, reflecting what the cows have been eating and inspiring her soft-serve creations.<sup>1</sup>

Hesse has successfully navigated the notoriously difficult economics of the dairy business. When he started out five years ago, he sold his organic milk in bulk to a bigger dairy operation. But after a couple of years of red ink, he realized he was on the fast track to ruin. That's when he stumbled across a postcard-perfect, 80-acre farm in bucolic Ghent, two hours north of New York City in the Hudson Valley. Hesse

and his wife, Kristen, rented the farm, renovated old barns and repaired fences, and moved into a little house on the property with their three young kids. By 2008, Hesse was selling his milk directly to the public at New York City farmers markets, to immediate acclaim.

Milk Thistle is sold at an expanding number of farmers markets—Hesse can net \$3,000 a day, cash, at the bigger ones. The iconic glass bottles are also sold at Whole Foods stores throughout New York, and retailers in neighboring states are clamoring for them as well. The strong demand has helped propel Milk Thistle to around \$750,000 in annual sales in just a few short years.

Hesse knew he wanted to farm since he was a young boy, but he still seems a bit awed by his success. “When we started this farm almost five years ago, never did I imagine that we would end up running as big a business as we are running,” he says.



Milk Thistle soon hit a wall. The farm was operating more or less at capacity. Hesse was selling all of the product he could make, and was already supplementing his herd’s output with milk from other local farmers to meet demand. Because his cows are free ranging, he requires about an acre per cow for grazing.

Hesse doesn’t own the land he farms on—the Hudson Valley’s proximity to New York City has priced it out of his reach. Nor does he own a processing facility. Instead, he trucks his milk 15 miles to a small, aging plant, where it is processed and bottled.

With more land and his own processing facility, Hesse figures he could expand into new product areas like ice cream, butter, cheese, and additional varieties of yogurt. That would allow him to sell more products into each Whole Foods store and farmers market, maximizing profits and even perhaps lowering his lofty prices. He hopes to soon

become licensed to sell in additional states, including New Jersey and Massachusetts, where Whole Foods has indicated it will carry his products. “If we had the production to fill all that demand, it would reduce our unit costs by 80 percent,” he says, sounding more businessman than farmer.

But expanding production costs money—at least \$700,000, by Hesse’s estimates. He made the rounds to banks, which turned out to be an exercise in futility. “Banks won’t touch us,” he explains. “No collateral.” Besides, he’s got deeper reservations about bank loans, as many small farmers struggle under heavy debt loads. “This thing about farmers borrowing and borrowing and borrowing,” he sighs. “It only works if the farm has been in the family for generations.” The banks, he says, “will put a blanket lien on all of your equipment, land, etc. It’s immoral.”

So Hesse did what seemed to him the natural thing to do. He turned to those who appreciated him most: his customers. One autumn day in 2008, as the financial markets were tumbling around him, he stuck a small sign on his stand at the farmers market:

*Dear customers,*

*It has become necessary for us to pursue purchasing or building our own bottling facility in the very near future. We are actively seeking investors for our new venture. Please let us know if you would like to see our business plan or if you know of funding sources we should look into.*

*Thank you,*

*Dante and Kristen Hesse*

A reporter who frequented one of the farmers markets noticed the sign, and Milk Thistle Farm was featured on National Public Radio. Speaking from a market in Brooklyn’s Carroll Gardens, where Hesse was setting up one chilly March dawn, the reporter explained Hesse’s plight in grave

tones. “He’s offering 6 percent interest for an investment of a thousand dollars. Now, there’s not much to back up that investment. He’s still got no collateral, he’s got no cosigners. The only thing he owns is a herd of cows. Anyone who invests in his farm has to take it on faith.”<sup>2</sup>

Even with that caveat, the story of the struggling farmer-entrepreneur resonated with listeners, and hundreds of e-mails offering support—and often money—poured in from across the country.

Little did Hesse know he was on his way to becoming a white-collar—or make that overalls-clad—criminal. By putting up his sign, Hesse had unwittingly violated a major tenet of securities law. The Securities and Exchange Commission, the financial market watchdog, prohibits private businesses like Hesse’s from soliciting funds from the public unless they go through a costly registration process. The natural impulse of a farmer to turn to customers who value organic farming, and of those individuals to want to support something they believe in that provides a financial return, does not fit easily into that legal view. Hesse escaped trouble, thanks to the intervention of a Hudson Valley lawyer who took him under his wing, and was ultimately successful in raising money from a customer-led group of investors. But his story illustrates a larger truth.

Hesse has succeeded, in large part, by tapping into a powerful movement that is centered on promoting locally produced food and supporting healthy, sustainable communities. It can be seen in the surge of “buy local” sentiment, farmers markets and “locavore” diets sourced close to home. But he has also bumped up against its limits. Today we are buying local and eating local, but we still aren’t investing local. It is easier for an individual to invest in a company halfway around the world than in a small enterprise down the street—or up the Hudson River. In the

meantime, millions of businesses like Milk Thistle Farm are going begging for capital, unable to expand and hire, and holding back an important pillar of a full throttled economic recovery.

The good news is, there *are* ways to invest in local companies. But relatively few investors, entrepreneurs, or even lawyers are familiar with them. By exploring local investment success stories and strategies, this book hopes to point the way forward to a more inclusive and prosperous form of capitalism.

# ***PART I***

## ***The Economics of Local***

# ***CHAPTER 1***

## ***Motherhood, Apple Pie, and Political Theatre***

### **How We Are Failing Our Small Businesses**

If we've learned anything from our near economic collapse and its aftermath, it's that small business is right up there with motherhood and apple pie in the pantheon of American ideals. Just ask any politician, from either side of the divide.

President Obama preached the gospel of small business as he crisscrossed the country in 2010 pushing his \$30 billion small business stimulus package. A typical venue was the Tastee Sub Shop in Edison, New Jersey—a town, the president noted, that was “named after somebody who was not only one of history's greatest inventors but also a pretty savvy small business owner.” Addressing a crowd that included local business owners, he intoned: “Helping small businesses, cutting taxes, making credit available. This is as American as apple pie. Small businesses are the backbone of our economy. They are central to our identity as a nation. They are going to lead this recovery.”<sup>1</sup>

Just two months later, ahead of the midterm elections, a dozen House Republicans took to Tart Hardware (“Everything to Build Anything”) in a suburban Virginia industrial park to unveil their “Pledge to America,” a 45-page glossy pamphlet brimming with lofty promises to cut taxes and regulation that read like a Big Business wish list.

“We are here to listen to the small-business people who are facing the same kind of uncertainty that small-business people all over the country are dealing with,” declared then-minority leader John Boehner, who likes to remind folks that he is just a small business guy himself who “stumbled into politics.”<sup>2</sup>

The rush to the nearest mom-and-pop store, camera crews in tow, in times of economic adversity is a political tradition. If we had a dollar for every time a politician delivered small-business bromides against the backdrop of a patriotic banner, we could retire the national debt. No doubt some genuinely hold this view, but politicians are nothing if not savvy. They are playing to the deeply held belief in small business that is central to how we view ourselves as a nation—less a melting pot than an audacious mashup of immigrants, commerce, and ambition.

From its earliest days, the country relied on and admired its independent business people—the merchants, farmers, and artisans that plied their trades in the colonies. Benjamin Franklin, the son of a soap maker turned eclectic entrepreneur and patriot, so valued independence and self-reliance that he bequeathed 2,000 pounds sterling (a small fortune in those days) to the cities of Boston and Philadelphia to establish loan funds that would help young artisans and apprentices start their own businesses. He specified a fixed interest rate of 5 percent to deter excessive profit making from the loans. In his will, Franklin explained his motive, noting that he had been trained as a printer in Philadelphia and that “kind loans of money from two friends” served as “the foundation of my fortune, and all the utility in life that may be ascribed to me.”<sup>3</sup> (This generous act led one observer to dub Franklin “the inventor of microfinance.”<sup>4</sup>)

Many of us are descended from self-made businesspeople and entrepreneurs. My grandfather Ralph arrived at Ellis

Island as a young boy in 1906, just one family among a wave from southern Italy looking for better economic opportunity. He never went to college, but like many of his generation, he was a tinkerer, experimenting with new electrode technology in his basement. After working at Westinghouse, in 1930 he founded his own company, Engineering Glass Laboratories. EGL built a thriving business producing electrodes, tubing, and other components for neon signs—a French innovation introduced to the United States in 1923. The company became the market leader, with a significant export business, and continues today.

My maternal great-great-grandmother, Mary Moore, serves as a reminder that American entrepreneurship is open to all. She ran a boarding house in rough-and-tumble New York for the scores of young men arriving from Ireland in the late 1800s through the turn of the century, becoming something of a local powerhouse with her ability to deliver the vote among that fast-growing population.

We all have stories like this to tell. And many of us aspire to someday, perhaps, unchain ourselves from our corporate overlords and go into business for ourselves. That impulse is what led Sagar Sheth and Kory Weiber, two young engineers with promising careers at General Motors, to strike out on their own. Their company, Moebius Technologies, manufactures high-tech medical equipment in a plant in Lansing, Michigan. “It’s one of these things where you realize you have to try, or you’ll always wonder what could have been,” Sheth, whose parents were born in India, told me. “To a large extent the American Dream is about entrepreneurs. What’s beautiful about this country is that anyone can be an entrepreneur—that’s very different from most places in the world.” Indeed, business ownership has been the escalator to the middle class for generations of ambitious immigrants.

If we've canonized small business entrepreneurs, it's for good reason: They provide real economic benefits. What Franklin and his Revolutionary peers no doubt understood, and what our contemporary leaders intimate, is the value that local businesses bring to a community. They are engaged in the community's civic life and add to its diversity, identity, and independence. They contribute to the community's prosperity by employing local workers and spending profits locally, allowing that money to recirculate in the community—what is known by economists as the multiplier effect. Studies have shown that a dollar spent at a locally owned enterprise generates three times more direct, local economic activity than the same dollar spent at a corporate-owned peer.<sup>5</sup> And their tax contributions help pay for local services. (It's a pretty good bet that the owner of your local hardware store isn't stashing his profits in a tax shelter in the Cayman Islands.)

While Wall Street has increasingly chosen fast, speculative profits over productive investment, small businesses are the engine of the *real* economy, the firmly on-the-ground Main Street. Broadly defined by the Small Business Administration as firms with 500 or fewer employees, small businesses make up 99 percent of all U.S. companies. They range from sole proprietors and mom-and-pop shops to established, locally owned companies that employ hundreds of workers. Also among their ranks are high-growth startups that have the potential to become corporate powerhouses themselves someday. Collectively, these 27.5 million companies employ half of all private sector employees and contribute half of private GDP—about \$5.5 trillion annually. That's more than the entire economic output of Germany and the United Kingdom combined. They're innovative, producing 16 times more patents than their larger counterparts. And, most significantly in these days of high unemployment, they are responsible for more than two out of every three jobs

created.<sup>6</sup> From 1990 to 2003, small firms with fewer than 20 employees generated 80 percent of net new jobs.<sup>7</sup>

A study by Harvard professor Edward L. Glaeser highlights the link between firm size and employment growth. Analyzing census data from 1977 to 2007, Glaeser found that the U.S. counties with the smallest firms experienced job growth of 150 percent. As average firm size increased, job growth decreased almost in lockstep. Counties in the middle quintile had 90 percent employment growth, while those with the largest companies added just 50 percent more jobs.<sup>8</sup>

Large corporations create a lot of jobs, to be sure, but they eliminate more—at least domestically—making them net job destroyers.<sup>9</sup> Indeed, in their drive to cut costs and boost margins, some of our biggest and most iconic corporations seem locked in a cycle of job destruction. In June 2010, Hershey Foods shuttered its historic chocolate plant in the Pennsylvania town that bears its name and moved production to Mexico. IBM abandoned its birthplace of Endicott, New York, earlier in the decade. And, like many Silicon Valley firms, Apple employs 10 times more workers in China than it employs at home. Big corporations moved quickly to cut jobs during the recession. Citigroup shed nearly 60,000 workers. In January 2009 alone, America's largest public companies, including Caterpillar, Pfizer, Home Depot, and Sprint Nextel, sent pink slips to more than 160,000 employees. Even before then, the trend was clear. Collectively, U.S. multinational corporations shed 2 million domestic jobs from 1999 to 2008, an 8 percent decrease. Over the same period, their overseas hiring swelled by 30 percent, aided in part by tax breaks that encourage them to keep profits and investment overseas. The 1.4 million jobs that domestic corporations added overseas in 2010 would have lowered the U.S. unemployment rate to 8.9 percent, according to the Economic Policy Institute.<sup>10</sup>